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PROGRAMME PLANNING

Country and intercountry programmes and projects

THIRD COUNTRY PROGRAMME FOR SAINT KITTS AND NEVIS

Programme period	Resources	$
1992-1996	Net IPF	1 573 000
	Estimated cost-sharing	-
	Total	1 573 000

CONTENTS

		Paragraphs	Page
I.	DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 9	2
A.	Current socio-economic situation	1 - 7	2
B.	National development objectives and strategies ...	8 - 9	3
II.	EXTERNAL COOPERATION	10 - 14	3
A.	Role of external cooperation	10 - 13	3
B.	Aid coordination arrangements	14	4
III.	THE COUNTRY PROGRAMME	15 - 37	4
A.	Assessment of ongoing country programme	15 - 20	4
B.	Proposals for UNDP cooperation	21 - 30	5
C.	Cooperation outside selected areas of concentration	31 - 33	7
D.	Implementation and management arrangements	34 - 37	7

Annexes

I.	Financial summary	9
II.	Programme matrix	11

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Saint Kitts and Nevis achieved an appreciable measure of economic progress during the 1980s, as reflected in an annual average growth of real gross domestic product (GDP) of over 6 per cent for the period. There were production declines in agriculture and manufacturing but these were offset by a substantial growth in construction and tourism. In 1990 economic activity slowed down as inflation rose and the visible trade deficit widened. For example, GDP grew by 1.5 per cent in 1990 compared to a 5.1 per cent growth in 1989. However, there has been a slight recovery in 1991.

2. The performance of the agriculture sector was mixed in 1990, with fresh fruits, vegetables and meat production continuing to expand in response to the country's diversification efforts and a strong domestic demand. The major traditional export crop, sugar, continued to decline mainly as a result of damage by hurricane Hugo in 1989 and labour shortages. Despite these problems, there was an increase in export earnings from sugar as a result of the appreciation of the pound sterling vis-à-vis the United States dollar. A significant feature of the diversification thrust is the recent enactment of land use and land tenure legislation that will, among other things, ensure security of tenure for farmers.

3. The tourism sector contracted slightly in 1990. Although the United States remained the most important market with almost 38 per cent of total arrivals, the number of visitors from that country fell by 4.7 per cent. The drop in the United States visitors' share was a result of deterioriating economic conditions in the United States and the discontinuance of service by major United States air carriers. Arrivals from Canada rose by 7 per cent despite a weakening of the Canadian economy.

4. The manufacturing sector, which is dominated by a few enclave industries, also declined in 1990. Manufactured exports, particularly assembled electronic goods, fell as United States market conditions deteriorated. Concurrently, garment production for the regional market continued to be constrained by weak effective demand in Caribbean Community (CARICOM) countries and labour problems. Relatively high wages in the tourist industry have seriously affected the competitive edge of the sector.

5. The post-Hugo reconstruction effort by the Government as well as increases in bank credit for land development, hotel development and home reconstruction stimulated growth in the construction sector.

6. The Government is concerned that the country's considerable potential for rapid economic development is hampered by an inadequate skilled labour force. The current policy therefore is to develop the technical skills of the labour force and to place nationals in key managerial, technical and professional positions.

7. The social programmes of the Government have had considerable success in enhancing the quality of life, especially as reflected in mortality, health and education indicators, with the result that the country ranks among those which have attained medium human development levels in the UNDP Human Development Report 1991. The high standards of education and health are reflected in a literacy rate of 80 per cent and a life expectancy of 70 years.

B. National development objectives and strategies

8. The central objective of the development plan is to facilitate and further enhance the process of economic diversification, while at the same time stimulating increased production. Consequently, economic growth over the medium term will be determined initially by improvements in the performance of the tourism, agriculture and manufacturing sectors, a resurgence of the international economy and increased domestic investment.

9. Saint Kitts and Nevis is experiencing significant problems relating to the environment. The Government recognizes that for the foreseeable future tourism and agriculture will remain the centrepieces of the economy and that rational expansion of these sectors cannot be achieved without careful consideration of land use and environmental impact.

II. EXTERNAL COOPERATION

A. Role of external cooperation

10. Despite the relatively successful performance of the major economic sectors and four consecutive years of current account surpluses prior to 1990, the Government's finances showed a deficit in that year. It has since relied heavily on external sources for funding of the Public Sector Investment programme. Major investments planned for 1990 and 1991 included the agricultural diversification programme, expansion of the airport in Nevis, expansion of electricity supply and upgrading of the water system. A major undertaking which commenced in 1988 and was completed in 1991 is the multifaceted tourism centre project in Basseterre. A major hotel development in Nevis and the first phase of the Frigate Bay Sewerage Project were completed in 1991.

11. During the period 1990-1992, capital outlays are estimated at $44.6 million, of which economic services will account for 21.9 per cent, economic infrastructure 39.9 per cent, and social services 27.2 per cent. External funding has been secured from the Caribbean Development Bank (CDB), the World Bank, the Canadian International Development Agency (CIDA), the British Development Division (BDD), the United States Agency for International Development (USAID) and the Commonwealth Fund for Technical Cooperation (CFTC).

12. Given the country's narrow resource base and general lack of technical personnel, technical assistance from external sources will continue to be a priority and will be focused on agriculture, manufacturing and the environment. The World Bank, in collaboration with UNDP and the Food and Agricultural Organization of the United Nations (FAO) completed an overview of the agriculture sector and undertook a study of the sugar industry to determine the feasibility of privatization and improvement of its performance. A sector loan of approximately $3 million has been approved by the Bank.

13. Technical assistance by UNDP was provided with FAO, the Department of Technical Cooperation for Development (DTCD), the United Nations Volunteers (UNV), the World Bank and the Caribbean Rural Development Advisory and Training Service (CARDATS) as executing agencies. The United Nations International Drug Control Programme (UNDCP) assisted the Government with the preparation of a Master Plan for drug abuse prevention. The World Food Programme (WFP) assisted with the feeding of vulnerable groups. The United Nations Population Fund (UNFPA) supported family planning and family life education programmes, and a national policy on women was prepared with assistance from the United Nations Development Fund for Women (UNIFEM).

B. Aid coordination arrangements

14. The Caribbean Group for Cooperation in Economic Development (CGCED) is a collective consultative group arrangement jointly sponsored by the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), CDB, OAS and UNDP. UNDP complements the activities of CGCED by servicing a series of sectoral or thematic consultations on a quarterly basis. These meetings help to identify multisectoral or sectoral programmes and to mobilize and coordinate resources among donor organizations operating in the Eastern Caribbean. These consultations have served to strengthen UNDP relationship with the other donor agencies and have proved successful in encouraging exchanges on ongoing and pipeline technical assistance activities.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

15. The objectives of the second country programme (1987-1991) were to broaden the country's economic base by shifting from mono-crop agriculture based on sugar to diversified agriculture, to promote tourism and manufacturing development and to review and update legislation. Accordingly, the areas identified for UNDP's support were agricultural diversification, revision of legislation, cottage industry development, small-scale manufacturing and tourism.

16. The programme was concentrated in the area of agricultural diversification and approximately 70 per cent of the indicative planning

figure (IPF) resources were earmarked for that purpose. A small allocation executed by the World Bank assisted with the investigation of possibilities for divestment and privatization of the sugar industry. The major portion of the inputs were delivered under the Caribbean Agricultural Research and Development Institute (CARDI)/CARDATS project, which provided training and extension services to approximately 500 livestock, fruit and vegetable farmers.

17. A UNDP legislative programme implemented during the cycle made an important contribution to the country's legal infrastructure. Many of the laws have now been drafted and revised to reflect the independent federated status of the country. The inability of the legal department to retain professional staff, a challenge faced by most Organization of Eastern Earibbean States (OECS) countries, remains an issue.

18. The areas of cottage industry development and tourism did not receive the assistance envisaged. The input provided to small-scale manufacturing consisted of a brief assignment by a consultant from the United Nations International Short-Term Advisory Resources (UNISTAR) to explore the possibilities of establishing additional markets for the Saint Kitts and Nevis Shoe Manufacturing Company, which was in operation at that time. Earmarked funds were shifted to the agriculture sector while assistance was sought from other donors for cottage industry, tourism and manufacturing developments.

19. The national policy on women prepared with assistance from the United Nations Development Fund for Women (UNIFEM) has laid the basis for undertaking additional activities on the women's issue. Among the recommendations of the policy is the establishment of a database designed to obtain qualitative and quantitative data on women.

20. A significant weakness of the programme was the shortage of technical skills and, in some instances, the lack of counterpart staff. National capacity-building therefore will require more innovative approaches designed to upgrade and increase technically skilled personnel.

B. Proposals for UNDP cooperation

1. Preparatory process

21. The final outcome of the second country programme is the result of the mid-term review, ongoing discussions with the government ministries and departments concerned, United Nations agencies and UNDP. The exercise benefited from documentation prepared by UNCHS, OECS, Caribbean Centre for Development Administration (CARICAD), DTCD and the World Bank in the areas of agriculture, physical planning and environmental conservation. Consequently, most of the proposals featured in the document are derived from these outlines.

22. In November 1991, detailed discussions were held with UNDP using the draft advisory note as the basis. The discussions resulted in the selection of the areas featured in the new country programme.

2. Strategy for UNDP cooperation

23. In the third country programme, UNDP will be requested to provide support to (a) agricultural diversification; (b) manufacturing and entrepreneurship; and (c) environmental management.

24. These areas will incorporate the six priority themes established by the Governing Council. The comparative advantage of UNDP in assisting the strengthening of national capacities will be pursued. In addition, the Government wishes to pay particular attention to women in development issues in order to place gender issues squarely on the national agenda.

3. Areas of concentration selected for UNDP cooperation

25. Agricultural diversification (20 per cent of IPF). Inputs provided during this cycle will supplement ongoing activities under the Agricultural Diversification project. The ongoing project will address all the major areas of production in non-sugar agriculture through improved husbandry, irrigation and water delivery systems, provide a strategy for the agricultural diversification programme with an appropriate package of incentives for farmers and assist with the establishment of 35 farm settlements. Agricultural support services will be upgraded to provide competent extension, marketing and post-harvest management services to farmers.

26. Specific assistance for the new cycle will be sought in the areas of land administration, cadastral mapping, organization and management review of the Departments of Agriculture in both Saint Kitts and Nevis as well as in training and agricultural planning aimed at strengthening the preparation and monitoring of the Public Sector Investment Programme (PSIP).

27. Manufacturing (20 per cent of IPF) is identified in the Development Plan as one of the sectors that will provide the major focus for increasing domestic output and spurring economic growth. The country is rapidly losing its competitiveness in labour-intensive manufacturing of such items as garments and in basic electronic assembly as a result of the high prevailing wage rates and the Government's objective is to attract higher technology industries for the export market by upgrading skills in the sector.

28. UNDP assistance will also be sought for the establishment of a Standards Bureau and an industrial incubator centre to accommodate existing and potential small businesses in the areas of light manufacturing, service enterprises and handicrafts. UNDP assistance will also be useful in the marketing of agricultural products. The aim is to increase the level of output and value added of the agriculture sector by setting up a system that will enhance the processing, packaging, storage and sale of products.

29. Environmental management (20 per cent of IPF) is a critical area of the programme because careful management will be required in order to reconcile the conflicting goals of economic growth and natural resource conservation.

Significant environmental legislation, specifically the South-East Peninsula Act and the National Conservation and Environmental Protection Act, has been adopted. Under the South East Peninsula Act, an advisory board has been established to plan the future development of the peninsula and to review all development proposals. A workable structure for integrated resource management and environmental conservation in the interest of sustainable development is an urgent and immediate need.

30. UNDP will assist with the implementation of an environmental management programme to provide support for strengthening the country's institutional capacity for natural resource management and the monitoring of environmental resources. The single most critical problem area in Saint Kitts and Nevis is waste management. With well over a thousand new hotel rooms expected to be built in the next few years on the South-East Peninsula, as well as the expected growth of Basseterre and other urban centres such as Sandy Point and Cayon, the problem of waste water management must be addressed.

C. Cooperation outside selected areas of concentration

31. To supplement inputs provided during the last country programme, further UNDP assistance will be requested in reviewing most of the existing laws to ensure that they are consistent with the country's constitutional status (15 per cent of IPF).

32. As recommended in the national policy on women, there should be a compilation of gender disaggregated data and information. UNDP will be requested to provide a consultant to undertake the necessary research and information gathering (15 per cent of IPF).

33. In the period 1984-1991 there were 33 cases of AIDS reported in Saint Kitts and Nevis, indicating a relatively high ratio of 0.69 per thousand. In recognition of the seriousness of the threat to the country, a National AIDS sexually transmitted disease (STD) Task Force has been commissioned under the Ministry of Health to work in collaboration with the Ministry of Education, NGOs and other groups. UNDP assistance may be sought during the programme period (10 per cent of the IPF).

D. Implementation and management arrangements

34. The national capacity of small island States must be interpreted in the wider context of regional and subregional self-reliance. Thus, UNDP recognizes the critical importance of institutions and mechanisms established by the Governments of the region, such as the Caribbean Agricultural Research and Development Institute (CARDI), the Caribbean Environmental Health Institute (CEHI), the Caribbean Tourism Organisation (CTO), and the Caribbean Conservation Association (CCA). In national execution, the technical resources available through these regional institutions in designing and implementing fifth cycle programmes are to be utilized to the maximum extent possible.

35. United Nations system expertise will assist with high-quality situation analyses and discussions at the policy and programme levels, particularly in the concentration areas. In addition, a careful assessment of national capacities and budgetary resources and more attention to project design and programme coherence should enhance the impact of the new country programme. Quantifiable indicators of success in building national capacities are to be included in the specific projects to be formulated under the new progamme.

36. The programme is to be reviewed through the mechanism of the quarterly consultations between the Government, the Organisation of Eastern Caribbean States and UNDP. These consultations will also monitor the continuing adequacy of the complementarity between the country programme, the multi-island programme and the Caribbean regional programme.

37. A formal mid-term review will be undertaken in 1994.

Annex 1

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Thousands of dollars)	
Carry-over from fourth cycle IPF	413	
Fifth cycle IPF	1 160	
Subtotal IPF		1 573
Project cost-sharing (Government)	-	
Project cost-sharing (third-party)	-	
Programme cost-sharing	-	
Subtotal cost-sharing		-
TOTAL		1 573

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	(Thousands of dollars) IPF	Cost-sharing	Total	Percentage of total resources
Agriculture	315	-	315	20
Manufacturing and entrepreneurship	315	-	315	20
Environment	315	-	315	20
Other	628	-	628	40
Subtotal	1 573	-	1 573	100
Unprogrammed reserve	-	-	-	-
TOTAL	1 573	-	1 573	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A.	UNDP-administered funds	
	SPR	-
	UNCDF	-
	UNSO	-
	UNIFEM	-
	UNRFNRE	-
	UNFSTD	-
	Subtotal	-
B.	Other United Nations resources	
	JCCP participating agencies	
	UNFPA	-
	UNICEF	-
	WFP	-
	IFAD	-
	Other United Nations agencies (non-UNDP financed)	-
	Global Environment Facility	-
	Subtotal	-
	Total non-core and other United Nations resources	-
	Non-United Nations resources a/	-
	TOTAL	-

a/ Funds originating from the implementation of management services agreements.

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation in development	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. Environmental protection and natural resource management			*	*	*	
II. Manufacturing and entrepreneurship	*		*	*	*	*
III. Agriculture	*	*	*	*	*	*

a/ Asterisks indicate major linkage only.